

Message Text

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TAGS: EINV, VE

SUBJ: EXECUTIVE DIRECTIVE CHANELING GOVT INSURANCE
TO COMPANIES 90PERCENT VENEZUELAN OWNED

SUMMARY. PRESIDENT PEREZ ISSUED INSTRUCTIONS ON NOV 11 TO ALL PUBLIC AGENCIES EXCEPTING THE MINISTRY OF DEFENSE, DIRECTING, AMONG OTHER THINGS, THAT THEY WRITE INSURANCE CONTRACTS HENCEFORTH ONLY WITH COMPANIES WHOSE CAPITAL IS 90PERCENT VENEZUELAN. WHILE COUCHED IN TERMS SUGGESTING INSTRUCTION IS INSTITUTED TO AVOID RECURRENCE OF IRREGULARITIES THAT OCCURRED AFTER PREVIOUS CHANGES IN GOVTS, EFFECT WILL BE TO EXCLUDE ENTERPRISES WITH SUBSTANTIAL FOREIGN INVESTMENT FROM THIS INCREASINGLY LUCRATIVE BUSINESS. MIMO ALSO STIPULATES THAT ONLY VENEZUELAN MAY ACT AS AGENTS OR BROKERS WRITING POLICIES WITH PUBLIC ENTITIES AND SETS A COMMISSION SCHEDULE. TEXT OF MEMO BEING POUCHED. END SUMMARY

1. INSURANCE INDUSTRY IN GENERAL IS UNHAPPY WITH DIRECTIVE AND SUGGESTS IT IS UNWORKABLE. AT A MEETING ON NOV 12 OF THE CONSEJO NACIONAL DE SEGUROS, WHICH IS COMPOSED OF COMPANY REPRESENTATIVES AND SUPERINTENDENT OF INSURANCE, DISCONTENT WAS VOICED BY REPRESENTATIVE OF VENEZUELAN DOMINATED COMPANIES WHICH WILL ALSO

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BE DISADVANTAGED BECAUSE THEIR PARENT COMPANIES DO NOT SATISFY

90-100 PERCENT CRITERION, THESE INCLUDE SOME OF LARGEST INSURANCE OPERATORS WHICH ARE SUBSIDIARIES OF BANKS. CONSEJO MEMBERS ALSO COMPLAINED THAT 25PERCENT LIMITATION ON AMOUNT OF LIABILITY ANY ONE COMPANY MAY ASSUME ON A POLICY TO BE UNREALISTIC BECAUSE IT WILL NECESSITATE SPREADING EVEN MINISCULE POLICES AMONG AT LEAST FOUR INSURERS.

MEMO DIRECTS THAT EXISTING CONTRACTS BE LIQUIDATED BY DEC 31, 1974 WHICH WILL INCREASE BROKERS' COMMISSION, UPON WRITING NEW ONES, AND REPRESENT A NON-RECOVERABLE EXPENSE TO THE COMPANIES. IN AN ARTICLE APPEARING IN EL UNIVERSAL NOV 13, PRESIDENT OF NATIONAL COLLEGE OF INSURANCE BROKERS PRAISED PRESIDENT PEREZ'S MEASURE.

2. INDUSTRY SOURCES ESTIMATE GOVT INSURANCE BUSINESS NOW COMPRISES APPROX 15 PERCENT OF TOTAL IN COUNTRY OR BS 200,000,000. IT IS ANTICIPATED THAT WITH NATIONALIZATION OF IRON AND STEEL AND PETROLEUM INDUSTRIES, AND PLACEMENT OF MONIES OF DEVELOPMENT FUNDS, PERCENTAGE WILL GROW TO 25-30PERCENT OF A LARGER TOTAL IN NEXT FEW YEARS.

3. OTHER DEVELOPMENTS AFFECTING INSURANCE BUSINESS IS DRAFT LEGISLATION ON INDUSTRY WHICH AWAITS ONLY PRESIDENT PEREZ' APPROVAL BEFORE BEING MADE PUBLIC. REPRESENTATIVES OF COMPANIES WITH PROMINENT FOREIGN PARTICIPATION WHO HAVE SEEN DRAFT DESCRIBE IT AS OBJECTIONABLE IN SEVERAL WAYS. THE PROPOSED LEGISLATION STIPULATES 80 PERCENT VENEZUELAN OWNERSHIP OF ALL INSURANCE ENTITIES AS WELL AS A PARENT COMPANY IF APPLICABLE. (PRESENT LAW ALLOWS FOREIGN OWNER-SHIP UP TO 49PERCENT IN BOTH WHICH HAS PERMITTED SOME COMPANIES TO BE EFFECTIVELY 73P PERCENT FOREIGN OWNED) PREVIOUS PRACTICE ALLOWEING ONE RATE OF DIVIDENT PAYMENT TO SHARES OWNED BY FOREIGNERS AND LESSER RATE TO VENEZUELAN SHARE HOLDERS IS ELIMINATED. LAW EXPECTED TO SPECIFY 30PERCENT OF REINSURANCE MUST BE PLACED WITHIN DOMESTIC MARKET. REPRESENTATIVES POINT OUT THAT CONCENTRATION OF RISK IN VENEZUELAN MARKET COULD BE PERILOUS TO LOCAL COMPANIES AS WELL AS LIMITING AMOUNT OF BUSINESS THAT WILL FLOW TO FOREIGN COMPANIES.

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